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-and-

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*Counsel for Defendants Dynex Capital, Inc.,  
Merit Securities Corporation, Thomas H. Potts  
and Stephen J. Benedetti*

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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IN RE DYNEX CAPITAL, INC. ) Master File No. 05-CV-1897 (HB)  
SECURITIES LITIGATION )  
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**DECLARATION OF JOSEPH J. SALTARELLI IN SUPPORT OF  
DEFENDANTS' MOTION TO DISMISS PLAINTIFF'S  
AMENDED CLASS ACTION COMPLAINT**

I, Joseph J. Saltarelli, hereby declare the following under penalty of perjury, pursuant to  
28 U.S.C. § 1746:

1. I am counsel to Defendants Dynex Capital, Inc., Merit Securities Corporation,  
Thomas H. Potts and Stephen J. Benedetti in the above-captioned matter. I have been admitted  
to practice in the Southern District of New York and I am familiar with the pleadings and  
proceedings in this matter. I make this declaration in support of Defendants' Motion to Dismiss

Plaintiff's Amended Class Action Complaint.

2. Annexed hereto as Exhibit 1 is a true and correct copy of Pfeiffer v. Goldman, Sachs & Co., No. 02-6912(HB), 2003 WL 21505876 (S.D.N.Y. June 30, 2003).
3. Annexed hereto as Exhibit 2 is a true and correct copy of relevant portions of the Prospectus, Merit Securities Corporation Collateralized Bonds (Aug. 11, 1999).
4. Annexed hereto as Exhibit 3 is a true and correct copy of the Prospectus Supplement, Merit Securities Corporation Collateralized Bonds Series 13 (Aug. 31, 1999).
5. Annexed hereto as Exhibit 4 is a true and correct copy of relevant portions of a Merit Securities Corporation Form 424B4 (Apr. 2, 1999), containing both the Series 12 Prospectus and the Series 12 Prospectus Supplement.
6. Annexed hereto as Exhibit 5 is a true and correct copy of relevant portions of the Indenture Supplement, Merit Securities Corporation Collateralized Bonds Series 13 (Aug. 1, 1999).
7. Annexed hereto as Exhibit 6 is a true and correct copy of a Merit Securities Corporation Form 8-K (Sept. 13, 1999).
8. Annexed hereto as Exhibit 7 is a true and correct copy of relevant portions of the Sales Agreement Between Merit Securities Corporation and Issuer Holding Corp. (Aug. 31, 1999).
9. Annexed hereto as Exhibit 8 is a true and correct copy of Fitch IBCA, Merit Securities Corp. Collat. Bonds Series 13 Rated by Fitch, Business Wire (Sept. 2, 1999).

10. Annexed hereto as Exhibit 9 is a true and correct copy of a chart displaying the structure of the Series 13 Bonds.

11. Annexed hereto as Exhibit 10 is a true and correct copy of a chart displaying total principal payments and losses on the Series 13 Bonds.

12. Annexed hereto as Exhibit 11 is a true and correct copy of the Monthly Payment Reports on the Series 13 Bonds issued by Dynex Capital, Inc. between September 1999 and December 2001.

13. Annexed hereto as Exhibit 12 is a true and correct copy of relevant portions of a Merit Securities Corporation Form 10-K for the year ended Dec. 31, 2000 (Apr. 16, 2001).

14. Annexed hereto as Exhibit 13 is a true and correct copy of relevant portions of a Merit Securities Corporation Form 10-Q for the quarter ended June 30, 2001 (Aug. 17, 2001).

15. Annexed hereto as Exhibit 14 is a true and correct copy of relevant portions of a Merit Securities Corporation Form 10-Q for the quarter ended September 30, 2001 (Nov. 14, 2001).

16. Annexed hereto as Exhibit 15 is a true and correct copy of a chart displaying cumulative losses on the Series 13 Bond Collateral between September 1999 and December 2001.

17. Annexed hereto as Exhibit 16 is a true and correct copy of relevant portions of a Dynex Capital, Inc. Form 10-K for the year ended Dec. 31, 2001 (Mar. 28, 2002).

18. Annexed hereto as Exhibit 17 is a true and correct copy of relevant portions of a

Merit Securities Corporation Form 10-K for the year ended Dec. 31, 2002 (Apr. 15, 2003).

19. Annexed hereto as Exhibit 18 is a true and correct copy of Moody's Investor Service Press Release, Moody's Downgrades Senior and Subordinate Certificates of Merit Securities Corp.'s Series 13 Manufactured Housing Securitization (Feb. 24, 2004).

20. Annexed hereto as Exhibit 19 is a true and correct copy of Fitch Ratings, Fitch Affirms 1 and Downgrades 3 RMBS Classes of Merit Series 12-1, Business Wire (Mar. 10, 2004).

21. Annexed hereto as Exhibit 20 is a true and correct copy of the Monthly Payment Reports on the Series 13 Bonds issued by Dynex Capital, Inc. between September January 2002 and April 2005.

22. Annexed hereto as Exhibit 21 is a true and correct copy of the Dynex Capital, Inc. Monthly Payment Report for the month of December 1999 (Jan. 28, 2000).

23. Annexed hereto as Exhibit 22 is a true and correct copy of the Dynex Capital, Inc. Monthly Payment Report for the month of December 2002 (Jan. 28, 2003).

24. Annexed hereto as Exhibit 23 is a true and correct copy of Alex Berenson, A Boom Built Upon Sand, Gone Bust, New York Times (Nov. 25, 2001).

25. Annexed hereto as Exhibit 24 is a true and correct copy of relevant portions of Standard & Poor's, U.S. Manufactured Housing ABS Hit Turbulent Times (May 30, 2002).

26. Annexed hereto as Exhibit 25 is a true and correct copy of White v. H&R Block, Inc., No. 02-8965, 2004 WL 1698628 (S.D.N.Y. July 28, 2004).

27. Annexed hereto as Exhibit 26 is a true and correct copy of In re Health Mgmt.  
Sys. Sec. Litig., No. 98-1865(HB), 1998 WL 283286 (S.D.N.Y. June 1, 1998).

28. Annexed hereto as Exhibit 27 is a true and correct copy of In re American  
Business Fin. Servs. Sec. Litig., No. 04-0265, 2005 WL 1324880 (E.D. Pa. June 2, 2005).

29. Annexed hereto as Exhibit 28 is a true and correct copy of Feasby v. Industri-  
Mathematik Int'l Corp., No. 99-8761(HB), 2000 WL 977673 (S.D.N.Y. July 17, 2000).

30. Annexed hereto as Exhibit 29 is a true and correct copy of Moody's Press  
Release, Moody's Reviews for Possible Downgrade Ratings of Senior and Subordinate  
Certificates of Merit Series 13 (Oct. 2, 2003).

31. Annexed hereto as Exhibit 30 is a true and correct copy of In re Initial Public  
Offering Sec. Litig., No. MDL 1554, 2005 WL 743550 (S.D.N.Y. Apr. 1, 2005).

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 15, 2005.

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/s/ Joseph J. Saltarelli  
Joseph J. Saltarelli

**CERTIFICATE OF SERVICE**

I certify that on the 15<sup>th</sup> day of July, 2005, a true and accurate copy of the foregoing was sent via first-class mail to:

Joel P. Laitman  
Christopher Lometti  
Frank R. Schirripa  
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*Counsel for Lead Plaintiff Teamsters Local 445  
Freight Divisions Pension Fund*

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/s/ Joseph J. Saltarelli  
Joseph J. Saltarelli